

Coalition for Nonprofit Housing and Economic Development (CNHED) • Coalition for Smarter Growth
DC Fiscal Policy Institute • Enterprise Community Partners • Greater Greater Washington
Housing Association of Nonprofit Developers (HAND) • Local Initiatives Support Corporation (LISC)
Somerset Development • United Planning Organization

July 15, 2020

Andrew Trueblood, Director
DC Office of Planning
1100 4th Street, SW, Suite 650 East
Washington, DC 20024
Via: Julianna.jackson@dc.gov

RE: Support for Expanded Inclusionary Zoning, Zoning Case No. 20-02 for OP Virtual Roundtable: July 15, 2020

Dear Director Trueblood:

Thank you for convening a public roundtable to discuss the issues presented in the notice about expanded Inclusionary Zoning (IZ). We support consideration by the Zoning Commission of an expansion of Inclusionary Zoning (IZ). IZ has been a successful tool for providing more new, permanently affordable housing options for District residents within market rate developments. The current regulations require inclusion of 8 to 10 percent of units priced at 60 percent of Median Family Income (MFI) for renters, or 80 percent of MFI for owners, in most new developments. These lower priced homes maintain their affordability for the life of the development. To offset the cost of lower rents or sales prices, the zoning regulations allow for additional housing of up to 20 percent above the baseline zoning limits. In this way, IZ captures a portion of the value created through the density bonus to offset the cost of providing the below-market rate units.

The goals of IZ are to create mixed-income neighborhoods, produce affordable housing for a diverse workforce, increase access to opportunity, and increase homeownership opportunities for moderate income households. By integrating new affordable homes into new market rate developments, IZ is an important tool for creating greater racial and social equity. For example, IZ has produced the only new affordable homes west of Rock Creek Park in many years.

The stark racial inequities of the District have been spotlighted during the Coronavirus pandemic and economic crisis, which has disproportionately sickened and killed African American and Latinx residents, cost jobs, and placed many at risk of homelessness. Severe housing cost burdens are faced by very low income District households, who are most likely to be African American. At the same time the District has significant shortfalls in housing affordable to households earning 50 percent of MFI and below.¹

¹ Doni Crawford, "[Affordable Housing: All Residents, Especially Longtime Black and Brown Native DC Residents, Have a Safe and Affordable Place to Call Home.](#)" (DC Fiscal Policy Institute. February 2020).

Expansion of IZ is a tool to provide more units that are affordable for the District's residents, and to ensure that these homes are equitably distributed, including in areas with significant job and educational opportunities. By providing a more equitable distribution of affordable homes throughout the District and improved access to opportunity, expanded IZ can help reverse the legacy of residential racial discrimination and inequitable access to secure housing, services, employment, education, and wealth.

No single program, funding source, or policy will address all the District's affordable housing needs. However, IZ has been a helpful tool and should be expanded to take advantage of the economic value being created by future rezonings and an updated Comprehensive Plan that will provide additional potential for rezonings. We share the following specific comments on the proposed concepts:

1. We strongly support expanding the current IZ regulations to capture the value created in rezoning properties that add buildable area (measured in Floor Area Ratio or FAR).

- Specifically, we support Expanded IZ as a tool for increased IZ units in zoning map amendments, which typically occur in a rezoning, including those generated due to increased housing capacity as proposed in the draft Future Land Use Map (FLUM) changes currently before the DC Council.
- We support application of the IZ regulations with the proposed FAR formula for increased set asides, as determined to be feasible by a future detailed financial analysis. We note that we must vet the financial feasibility of the requirements to ensure the public benefits are balanced with the private benefits of the upzoning.
- We recommend creating a 50 percent of MFI option for IZ rental units, potentially using a formula that reduces the IZ FAR by a proportionate amount to reflect the costs of deeper affordability. We recognize this recommendation could be a financial challenge, but we encourage the Office of Planning to thoroughly evaluate it.
- We recommend that the Office of Planning assess how to obtain 3 and 4 bedroom IZ units through expanded IZ to serve larger IZ-eligible families. We note that the Coalition for Nonprofit Housing and Economic Development and Urban Institute produced "An Assessment of the Need for Large Units in the District of Columbia" for the Deputy Mayor for Planning and Economic Development (DMPED), which indicated a significant need for 3+ bedroom units for low-income households.²
- We also support Expanded IZ when changing the Production, Distribution, Repair (PDR) zone to a zone that generally permits residential use. We support the proposed 20 percent Expanded IZ set-aside requirement, as determined by a financial feasibility assessment.

² [Peter Tatian, Leah Hendey, Scott Bruton, "An Assessment of the Need for Large Units in the District of Columbia," \(District of Columbia: DMPED, June 2019\).](#)

Rationale:

- **Value recapture:** Expanded IZ is a public value recapture mechanism in return for the increased density and value that will be created by rezonings, and especially in the new Comprehensive Plan and Future Land Use Map (FLUM) and subsequent rezonings. Expanded IZ would use a portion of the value created by the up-planning and subsequent up-zoning for an increased affordability set aside.
- **Requirements for increased affordability need to be generally offset by value from rezoning:** The scale of the density bonus should be such that it both offsets the cost of the new IZ requirement and incentivizes landowners to request the upzoning in the first place because of additional value captured by the property owners. If the affordability requirement is too high, upzonings will not occur, and no additional affordable housing will be financed or built. Conversely, we should not give too much value to the property owner because that is lost value that could have subsidized housing affordability.

2. **Add a new option that provides a matter-of-right density bonus for affordable developments**

In addition to Expanded IZ, we propose creating a new matter of right density bonus at the full PUD density in a zoning district in exchange for at least 20 percent affordable units at 60 percent of MFI, or deeper affordability. The affordability term should be the life of the development.

Rationale:

The permitted density in the PUD level of a specific zone theoretically provides a 40 percent density bonus above baseline matter-of-right zoning. However, due to recent court rulings, PUDs may no longer be a feasible tool in many cases for providing mixed-income and affordable housing. A matter of right density bonus could generate affordable units, while encouraging development and avoiding the risks and costs of a PUD or rezoning process. This approach would allow the use of Low Income Housing Tax Credits, with between 20 to 100 percent of the units in the development at affordable levels.

While we will continue to seek ways to use zoning and to ease the development review process to make affordable housing more feasible, we recognize that many housing needs can only be served by increased funding to subsidize both construction and operating costs. This means increasing funding for the Housing Production Trust Fund, Local Rent Supplement Program, and other programs to preserve, build, and operate affordable housing.

Thank you for your consideration. We look forward to assisting the Zoning Commission and Office of Planning in assessing and refining these ideas into effective regulations.

Sincerely,

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